

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA

3 3298 00286 3257

Private Post-Secondary Education Commission of British Columbia

2003/04 Annual Report



DOC
BC
P60178
B
2003/04
C.3

I. ORGANIZATION OVERVIEW

MANDATE

The Commission's mandate is to provide consumer protection to students attending private post-secondary education institutions in British Columbia. This is accomplished by requiring the registration of such institutions and by providing a voluntary accreditation program to registered institutions to ensure that standards of integrity and educational competence are met and maintained.

MISSION

- To provide consumer protection
- To encourage integrity and high standards of educational competence within the private post-secondary sector
- To implement and supervise with fairness and equity registration and accreditation

VISION

The Private Post-Secondary Education Commission envisions a province where all British Columbians are provided with full consumer protection in respect of registered institutions; where students are assured they will receive high quality programs and services from institutions accredited by the Commission; and where accredited private training institutions' courses and/or programs are recognized by provincial policy and formal articulation agreements, applied on a consistent system-wide basis so learners' interests are safeguarded.

I. Organization Overview	1	III. Financial Report	5
II. The Year In Review	2	IV. Corporate Governance	IBC

TABLE OF CONTENTS

ENABLING LEGISLATION

The Private Post-Secondary Education Commission of British Columbia (PPSEC) is a government agency established in 1992 pursuant to the *Private Post-Secondary Education Act* (R.S.B.C. 1996, c. 375).

STRUCTURE

Commission

The Commission consists of not more than 15 members appointed by the Minister of Advanced Education, with one member designated as Chair. Responsible for appointing the Executive Director, the Commission exercises a fiduciary and policy development function as respects PPSEC operations. Subject to the *Private Post-Secondary Education Act* and Regulations, the Commission issues General Directives to institutions respecting various aspects of their operations, and has developed criteria for the accreditation of registered institutions.

SERVICES

Registration

Two Registration Officers and two Registration Assistants oversee the registration and re-registration of over 1,100 main and branch campuses each year. Additionally, the Registration staff maintains a program of on-site compliance auditing of institutions, ensuring that institutions are complying with the requirement to post satisfactory financial securities.

Accreditation

Three Accreditation Officers and one Accreditation Assistant provide support to institutions applying for accreditation with the Commission. They also monitor the standards and performance of more than 265 institutions currently accredited.

Executive Director

The Executive Director has authority under the Act to appoint examiners; issue, suspend, cancel or deny registration and accreditation certificates; set terms or conditions for granting or continuing a registration or accreditation certificate; have institutions investigated; and offer opinions regarding whether a student was misled as a result of a representation made by an institution.

Student Complaint Investigation

The Executive Director investigates student complaints and prepares written opinions regarding whether a student has been misled as a result of a representation made by an institution.

Location of Operations

The Commission's offices are located at 850 - 1185 West Georgia Street, Vancouver, BC

Clients Served

There are 1,100 main and branch campuses registered with the Commission, of which 267 are currently accredited. These institutions offered 9,042 certificate and diploma programs to 361,484 registrants last year.

II. THE YEAR IN REVIEW



REGISTRATION

Private post-secondary institutions in British Columbia must comply with the *Private Post-Secondary Education Act*, which requires any person or organization providing training or instruction in the province to persons 17 years of age or older to register with the Private Post-Secondary Education Commission.

Institutions are required to register main and branch campuses. Registration activity for the period April 1, 2003 to March 31, 2004 was as follows:

DATE	REGISTERED INSTITUTIONS
April 2003	1,117
May 2003	1,118
June 2003	1,116
July 2003	1,112
August 2003	1,110
September 2003	1,102
October 2003	1,104
November 2003	1,111
December 2003	1,102
January 2004	1,097
February 2004	1,094
March 2004	1,089

Registration activity since 1992, when PPSEC was first established, reflects rapid growth through the mid 1990s, a relatively steady state over the next seven years, and a slow decline over the past year.

YEAR	REGISTERED INSTITUTIONS
March 1993	628
March 1994	806
March 1995	893
March 1996	994
March 1997	1,082
March 1998	1,102
March 1999	1,140
March 2000	1,122
March 2001	1,103
March 2002	1,121
March 2003	1,134
March 2004	1,089

COMPLIANCE AUDITING

A program of on-site compliance auditing of registered institutions was implemented in the spring of 1998 in response to the fact that the Commission had met with varied success in recovering a minimum of 75% of unearned tuition for students displaced by a business failure.

Compliance audit activity over the past four fiscal years is as follows:

DATE	COMPLIANCE AUDITS
March 2000	280
March 2001	258
March 2002	274
March 2003	213
March 2004	107

FINANCIAL SECURITIES

The purpose of registration is to provide consumer protection. All institutions registered with the Commission must post a financial security equivalent to 75% of the maximum amount of unearned revenue (tuition) they hold during a registration year. While the number of registered institutions has remained relatively constant for several years, the total value of financial securities held by the Commission has more than doubled. This increase is in part reflective of increases in student enrolment across the industry, but it is also attributable to the on-site validation of institutions' unearned revenue calculations during compliance audits.

At fiscal year-end, March 31, 2004, the Commission held \$71,505,325 in trust assets. Categorized by type of financial instrument, they were as follows:

Surety bonds	\$32,039,187
Letters of credit	\$28,963,977
Cash and investment bonds	\$10,502,161

In the event of an institutional closure, the security is used to refund any unearned tuition to students. A total of 210 institutions closed during the past fiscal year. Most of these were orderly closures, with all students being trained out before the closure. In nine cases it was necessary to make claims against institutional securities, and in three of these cases the institutions were not adequately secured.

Claims against security due to institutional closure from 1992 to date are as follows:

YEAR	TOTAL CLAIM AMOUNT	TOTAL REFUND AMOUNT
1993	\$ 74,267.00	\$ 72,501.24
1994	\$ 51,282.00	\$ 20,000.00
1995	\$ 69,126.86	\$ 67,979.86
1996	\$ 88,492.30	\$ 46,532.30
1997	\$293,777.17	\$ 96,617.17
1998	\$191,319.88	\$142,728.62
1999	\$856,473.17	\$506,824.02
2000	\$103,500.80	\$103,500.80
2001	\$288,763.68	\$246,235.14
2002	\$338,269.28	\$286,687.66
2003	\$377,186.57	\$247,640.29
2004	\$623,214.50	\$469,110.68



ACCREDITATION

The *Private Post-Secondary Education Act* stipulates that an institution registered under the Act may apply for accreditation. Accordingly the Commission offers a voluntary accreditation process designed to ensure that standards of integrity and educational competence are met by accredited institutions.

Institutions designated to receive BCSAP funding are required by the Ministry of Advanced Education to be accredited by the Commission.

Similarly, Human Resources Development Canada requires that private post-secondary institutions in British Columbia accepting students on Employment Insurance support be accredited by the Commission.

The history of accreditation activity over the past eight years is as follows:

DATE	ACCREDITED INSTITUTIONS
March 1996	5
March 1997	30
March 1998	46
March 1999	64
March 2000	115
March 2001	222
March 2002	250
March 2003	267
March 2004	267

STUDENT COMPLAINTS

Section 28 of the *Private Post-Secondary Education Act* provides for tuition refunds to students if they have enrolled with an institution not registered with the Commission, or if in the opinion of the Executive Director a student was misled as a result of a representation made by an institution.

Students seeking an opinion under section 28 of the Act must file a student complaint with the Commission. During the past fiscal year, the Executive Director offered opinions relating to 106 student complaints. Forty-three opinions supported the students' claims of misrepresentation, and sixty-three did not.

AUDITORS' REPORT

To the Commissioners of the
Private Post-Secondary Education Commission

We have audited the Statement of Financial Position of the Private Post-Secondary Education Commission as at March 31, 2004 and the Statements of Operations, Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Vancouver, British Columbia

May 7, 2004

STATEMENT OF FINANCIAL POSITION

For the year ended March 31

2004

2003

ASSETS

Current

Cash	\$ 706,431	\$ 685,178
Due from Trust Funds (Note 2)	108,687	-
Accounts receivable	20,511	8,985
Prepaid expenses	13,651	12,960

Capital assets (Note 1)

849,280 707,123

Deferred costs

10,160 10,980

11,559 -

\$ 870,999 \$ 718,103

LIABILITIES AND NET ASSETS

Liabilities

Current

Accounts payable and accrued liabilities	\$ 64,722	\$ 47,911
Claims payable to students (Note 2)	108,687	-
Deferred registration and accreditation fee revenue	525,107	533,506
	698,516	581,417

Net Assets

Invested in capital assets and deferred charges	21,719	10,980
Internally restricted for special purposes (Note 5)	48,972	48,972
Available	101,792	76,734
	172,483	136,686

\$ 870,999 \$ 718,103

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

APPROVED ON BEHALF OF THE BOARD:



Commissioner



Commissioner

AUDITED FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS

For the year ended March 31	TOTAL	
	2004	2003
Revenue		
Registration fees	\$ 844,126	\$ 844,170
Accreditation fees and costs (net, Note 4)	136,099	142,802
Interest and miscellaneous	30,108	17,579
	1,010,333	1,004,551
Expenses		
Advertising and publications	3,131	4,468
Amortization	13,420	15,296
Commissioners	11,177	7,809
Courier and postage	8,188	9,583
Equipment rental	10,315	10,094
Insurance	4,288	3,515
Office and supplies	27,674	26,164
Professional fees	35,176	18,264
Rent	129,152	133,908
Repairs and maintenance	4,044	4,170
Salaries and benefits	697,933	740,102
Student refund in excess of security (Note 9)	2,266	-
Telephone and fax	15,284	16,628
Travel and meals	12,977	17,603
	975,027	1,007,604
Net gain (loss) from operations	35,306	(3,053)
Gain on disposal of assets	491	337
Excess of revenues under expenses for the year	\$ 35,797	\$ (2,716)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31	INVESTED IN CAPITAL ASSETS AND DEFERRED CHARGES	INTERNALLY RESTRICTED FOR SPECIAL PURPOSES	AVAILABLE	TOTAL	
				2004	2003
Balance, beginning of year	\$ 10,980	\$ 48,972	\$ 76,734	\$ 136,686	\$ 139,402
Excess of revenue over (under) expenses for the year	-	-	35,797	35,797	(2,716)
Amortization	(13,420)	-	13,420	-	-
Inter-fund transfers	24,159	-	(24,159)	-	-
Balance, end of year	\$ 21,719	\$ 48,972	\$ 101,792	\$ 172,483	\$ 136,686

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended March 31	2004	2003
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 35,797	\$ (2,716)
Items not involving cash		
Amortization	13,420	15,296
Gain on disposal of capital assets	(491)	(337)
	48,726	12,243
Changes in non-cash working capital balances		
Accounts receivable	(11,526)	(629)
Prepaid expenses	(691)	2,446
Accounts payable and accrued liabilities	16,811	(92,833)
Deferred registration and accreditation fee revenue	(8,399)	(39,784)
	44,921	(118,557)
Investing activities		
Purchase of capital assets	(12,600)	(9,802)
Disposal of capital assets	491	803
Deferred costs	(11,559)	—
	(23,668)	(8,999)
Increase (decrease) in cash during the year	21,253	127,556
Cash, beginning of year	685,178	812,734
Cash, end of year	\$ 706,431	\$ 885,178

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

March 31, 2004

Nature of Business

The Private Post-Secondary Education Commission was incorporated under the Private Post-Secondary Education Act on July 27, 1990. The Commission is an agent of the Province of British Columbia.

The Commission is involved in developing and administering a mandatory registration system and voluntary accreditation program for private post-secondary educational institutions in the Province of British Columbia. There is a planned transition as outlined in Note 8.

Revenue

Registration fees are recognized over the registration period. The portion of registration and accreditation fees that relate to the period following the Commission's year end have been reflected on the balance sheet as deferred revenue. The period of registration commences when all requirements of registration are met.

Capital Assets

Capital assets are recorded at cost with amortization provided on a straight-line basis at the following annual rates:

Computer hardware	- 33 1/3%
Computer software	- 50%
Office furniture	- straight line basis over 5 years

Financial Instruments

The Commission's financial instruments consists of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Commission is not exposed to any significant interest, currency or credit risks arising from these financial instruments. Fair values of financial instruments are approximated by their carrying values unless otherwise stated.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at March 31, 2004 and revenues and expenses during the year then ended. The actual outcome could differ from the estimates made in the preparation of the financial statements.

Deferred Costs

Deferred costs represent costs expended on behalf of the soon-to-be created new entity (Note 8). It is anticipated that these costs will be transferred to this new entity upon its formal establishment.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

1. Capital Assets

			2004	2003
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Computer equipment	\$ 68,523	\$ 61,666	\$ 6,857	\$ 7,398
Office furniture	39,685	39,084	601	1,770
Software	68,694	65,992	2,702	1,812
	<u>\$ 176,902</u>	<u>\$ 166,742</u>	<u>\$ 10,160</u>	<u>\$ 10,980</u>

2. Claims Payable to Students and Due from Trust Funds

Claims payable to students include payments that remain outstanding, for claims made against the financial securities posted by institutions, for training not delivered. In prior years, claims payable to students were included in trust assets for note disclosure purposes. (Note 6).

3. Income, Capital and Goods and Services Taxes

The Commission is exempt from federal and provincial income and capital taxes under Section 141(1)(d) of the Income Tax Act. As an agent of the Province, the Commission is not subject to goods and services tax.

4. Accreditation Fees and Costs

	2004	2003
Revenue	\$ 199,780	\$ 258,421
Direct costs	63,681	115,619
	<u>\$ 136,099</u>	<u>\$ 142,802</u>

5. Net Assets Internally Restricted for Special Purposes

The Commission has internally designated these amounts as funding for costs associated with carrying out the Commission's mandate, enforcement of the Act, and as a stabilization fund for fluctuations in registration.

6. Security requirements

Many institutions applying for registration with the Commission are to provide financial security in conjunction with their application. Security requirements are met by way of investment and surety bonds, letters of credit or cash. As of March 31, 2004 the following requirements were held in trust by the Commission and are not reported elsewhere in these financial statements:

Cash and investment bonds	\$10,502,161
Letters of credit	\$28,963,977
Surety bonds	\$32,039,187

NOTES TO FINANCIAL STATEMENTS (continued)

7. Commitments

The Commission is obligated under operating leases for office premises and office equipment which expire in September 2004 (office premises) and April 2006 (office equipment) and is committed to annual payments for the next five years as follows:

Year	Amount
2005	66,104
2006	6,804
2007	198
	\$73,106

8. Going Concern

The Private Post-Secondary Education Commission will be replaced by a self-regulating and self-funding industry board. The change is a result of the Provincial Government's Administrative Justice Project and Core Services Review announced February 7, 2002, by the Attorney General.

The legislation and regulations for the Private Post-Secondary Education Commission remain in force until the transition is complete.

During the transition phase, students attending any institution currently registered with the Private Post-Secondary Education Commission will continue to have their fees covered by the existing consumer protection system.

These financial statements are prepared on a going concern basis as opposed to a liquidation basis as it is believed that operations will continue and future transition to a new model will be orderly.

9. Student Refund in Excess of Security

Student refunds in excess of security include payments issued to students in excess of the financial security held by the Commission. These payments were for claims made against financial securities posted by institutions for training not delivered.

ACCOUNTANTS' REPORT ON THE SECURITY REQUIREMENTS HELD
BY THE PRIVATE POST-SECONDARY EDUCATION COMMISSION

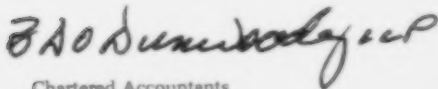
To the Commissioners of the
Private Post-Secondary Education Commission

As specifically agreed, we have performed the following procedures on the security requirements held by the Private Post-Secondary Education Commission as at March 31, 2004. As reported in the accounting records of the Commission:

- (a) We obtained a listing of institutions registered with the Commission and selected a sample of 30 institutions for testing.
- (b) We reviewed the security requirements as specified by the Commission to ensure that the security collected was consistent with the security requirements. No exceptions were noted.
- (c) For each institution selected, we physically verified the existence of the security instrument on March 31, 2004. No exceptions were noted.
- (d) We verified that the face amount of the security instrument was equal to or in excess of the security required by the Commission. No exceptions were noted.

The procedures do not constitute an audit of the security requirements held by the Commission and, accordingly, we do not express an opinion on the security requirements held by the Commission as at March 31, 2004.

This report is for use solely by the Commissioners of the Private Post-Secondary Education Commission.



Chartered Accountants

Vancouver, British Columbia

April 1, 2004

COMMISSIONERS SERVING 2003/04

Peter Cook
Quebec of Marine Institute
Bellevue BC

David Dumas
Academy of Learning
South Vancouver BC

Mark Harris & Thomas
TLC - The Education
Company
Mississauga BC

Deborah Hall
Ministry of Advanced
Education
Victoria BC

Michael Laid
BC College College
Agassiz BC
Vancouver BC

Col Pasquet
Change Institute - Association
of Canada
Richmond BC

Kevin Strachan
Association of Workers
Providers for Employment
and Learning
Vancouver BC

Dale Talle
TSEB, Champion
Tale and Company
Saskatoon BC

Mark Whitman
MTI University College
Vancouver BC

COMMISSION STAFF 2003/04

ADMINISTRATION

Ian Wright
Executive Director

Samir Waz, Chief
Finance Officer

REGISTRATION

Donna Bradshaw
Registration Officer

Peter Bullock
Registration Officer

Annelle Rios
Registration Assistant

Monica Quinn
Registration Assistant

ACCREDITATION

Stephen Shewk
Accreditation Officer

Nick Turner
Accreditation Officer

Rita Williams
Accreditation Officer

Leah Smith
Accreditation Assistant

Peter Dahl
Quadrant Marine Institute
Sidney BC

Derek Hamill
Academy of Learning
North Vancouver BC

Niels Hartvig-Nielsen
TEC - The Education
Company
Mission BC

Deborah Hull
Ministry of Advanced
Education
Victoria BC

Monica Lust
BC Career Colleges
Association
Vancouver BC

Cal Purcell
Career Trainers Association
of Canada
Vancouver BC

Norma Strachan
Association of Service
Providers for Employment
and Training
Victoria BC

Betty Tully
PPSEC Chairperson
Tully and Company
Sooke BC

Marty Wittman
MTI Community College
Vancouver BC

ADMINISTRATION

Jim Wright
 Executive Director

Sonja Westerhof
 Finance Officer

REGISTRATION

Jennifer Bradshaw
 Registration Officer

Peter Bullock
 Registration Officer

Annette Ene
 Registration Assistant

Rhonda Quinn
 Registration Assistant

ACCREDITATION

Stephen Siblock
 Accreditation Officer

Nick Turner
 Accreditation Officer

Sue Williams
 Accreditation Officer

Lina Smith
 Accreditation Assistant



PPSEC

T 800-660-1400 F 800-660-1112 2700-1117 W. Georgia St.
1-800-661-7441 www.ppsec.biz.ca Vancouver, BC V6L 4E6